



FINANCIAL MANAGEMENT

BUDGET – WHAT IT SHOULD LOOK LIKE

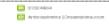


DEFENITION

- Ao
- Is defined as an ordered, detailed framework of the anticipated or estimated income and costs of all the organisational units, grouped together in one master budget (Berkhout & Berkhout, 1992:53)
- ".... a translation of the ideals and objectives of an organisation into financial terms or into action plans that can be measured in terms of affordability, progress and success."









WHY BUDGETS ARE IMPORTANT?



The budget reflects the schools mission and vision

The budget reflects the goals of the school

Indicate your needs

Indicate where the funding can come from

Help control income and expenditure

Help to account for income and expenditure

Help to decide where/what and how much to spend





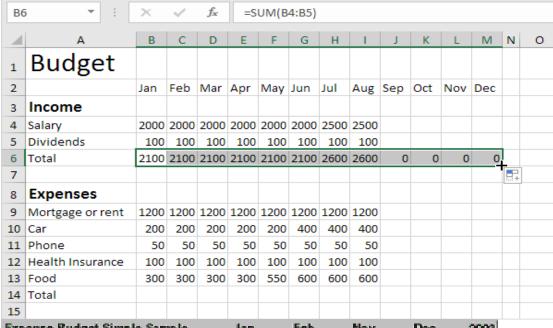
STRUCTURE OF A BUDGET



- Whose/Type of budget?
- Period?
- Horizontal / Vertical
- Expected Income
- Expected Expenditure
- Incremental / Line item / Programme / Zero-based / Priority-based budget / Rolling budget
- Totals



STRUCTURE



15					
Expense Budget Simple Sample	Jan	Feb	Nov	Dec	2003
Marketing Expense Budget					
Advertising	\$15,000	\$15,000	\$20,000	\$10,000	\$150,000
Catalogs	\$2,000	\$3,000	\$2,000	\$2,000	\$25,000
Websites	\$3,000	\$11,800	\$8,000	\$5,000	\$113,300
Promotions	\$0	\$0	\$15,000	\$0	\$16,000
Shows	\$0	\$0	\$0	\$0	\$20,200
Literature	\$0	\$7,000	\$0	\$0	\$7,000
Promotions	\$0	\$0	\$0	\$0	\$1,000
Seminars	\$1,000	\$0	\$0	\$0	\$31,000
Service	\$2,000	\$1,000	\$500	\$250	\$10,250
Training	\$5,000	\$5,000	\$5,000	\$5,000	\$60,000
Other	\$1,000	\$1,000	\$1,000	\$1,000	\$12,000
Total Sales and Marketing Expenses	\$29,000	\$43,800	\$51,500	\$23,250	\$445,750

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INCREMENTAL / LINE ITEM BUDGET



- **Incremental budgeting** to assume that previous level of expenditure and income is a reasonable base for estimating the needs and income for the next financial year.
- Line item budget Items (cost items) of expenditure are the focus of analysis, authorisation and control. This is a budget where the name of each line is set, as is the amount you can spend on each item (budget post)



PROGRAMME / ZERO-BASED



- Programme budget (Pb) school plans strategically, identifies programmes to achieve to achieve its objectives, and determines the cost of each programme. Funds are allocated in support of the programmes and funds are evaluated to ascertain whether the objectives have been accomplished. Pb makes it easier to see hoe the school's activities and the budget are related and interdependent.... Clear to stakeholders and adds accountability to Pb leads to cost effectiveness in the budgeting process
- **Zero-based** All categories of spending should be scrutinized. Budget holders must justify all planned expenditure. Budgeting starts from zero-base and is determined by n decision- making process.



ZERO-BASED BUDGET



• Advantages: Allows for new initiatives to be incorporated

Prevent inequalities from the past to continue

Introduces an evaluative or reflective element into the financial planning process

• **Disadvantages:**Time consuming and therefore costly process

No constancy between budgeting periods – year-on-year comparison is difficult

Some sub-budget holders will be better at the budgeting process and justifying their costs

As many cost are fixed, year on year, a true zero-based budget is not really possible



PRIORITY-BASED & ROLLING BUGDGET



• **Priority-based budget**: Attempts to match the stated aims and priorities of the school with the allocation of funding.

Advantages: It makes costs an issue at the point of educational

debate rather than an afterthought. It allows changes

to be adequately resource

Disadvantages: Budget may "lurch" as priorities change

basis on which priorities are ranked become a key

issue in the decision making process

- Rolling budget (Rb): In day-to-day management there is a relatively short amount of time for decision making. Budget holders should not be concerned with the year ahead. Rb operates within a system whereby the 12 month budget targets and resources are divided in quarterly periods
 - Advantages: Greater degree of flexibility



ENVIRONMENTAL FACTORS AFFECTING A SCHOOL'S BUDGET



- External factors: Politics, wealth of community, demographic changes, competition, economy, political situation
- Institutional (school's) factors: School fund, staffing, school programmes offered, extra curricular activities, departmental policies, accountability of FC
- Internal factors: history of income and expenditure, current financial situation, capacity of SGB



BUDGET ITEMS



- Two categories (1) Income budget items (2) Expenditure budget items
- Income budget items reflect various sources if income and their potential value
 School fees
 Bank interest
 Fundraising projects
- Expenditure budget items should be groups together under manageable headings (such as maintenance, sport, cultural)
 - Annual expenditure is divided by 12 to arrive at an expected monthly expenditure for each budget item
 - It is an oversimplification to divide all the expenditure amounts by 12 because there is a certain pattern of procurement that does not necessarily result in equal monthly payments

NB We work with estimates



INDIVIDUAL BUDGETS TO INCLUDE IN SCHOOL'S BUDGET



Expenditure

- Human resource management additional staff
- Academic LTSM, additional needs from Phases/ departments
- Planned projects
- Culture
- Sports
- Grounds, security, garden,
- Maintenance of school building
- Services
- Transport



CONTENT OF BUDGET – SASA PROVISIONS



Content of the budget is governed by Sec 20(1)(a) of SASA

- Curriculum needs
- Professional development Sec 20 (1)(e)
- School infrastructure Sec 20 (1)(g) and Sec 21(1)(a)
- Representative-body membership fees Sec 20 (3)
- Educators and non-educators in addition to the State's post establishment
 Sec 20 (9)
- Costs associated with sec 21 functions
- Staff allowances, including travel and subsistence Sec 38A, sec 38A(5)
- School free default and exemptions Sec 39
- Depreciation of movable assets
- Auditor's fees
- Insurance, legal costs and reserve funds



CONTENT OF BUDGET – SASA PROVISIONS



School have limited income sources. SGB should optimise income to fulfil their statuary income

- Supplementary income generated Sec 36
- Rental Sec 20(2)
- Transfer payments Sec 34 and 35 read in conjunction with NNSSF
- School fees payable
- Income from other sources Sec 37(2)

Sec 37(2) dictate that any money that the school receives, including school fees and donations, must be deposited into the school fund



REMEMBER



- A school is a "non-profit" institution this does not imply that it should run at a loss
- SGB should also provide for unexpected or unforeseen circumstances that may in future threaten school operations
- Non-governmental, non-profit and service sector generally strives to have enough reserves available to cover 3 to 6 months operating costs
- SGB should ensure that the school's budget is properly drafted, formally approves and sustainably managed to achieve the school's objectives and advance quality education
- Budget should be done responsibly, transparently, in line with legislation, and in the best interests of the school



REFERENCES



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Dankie, Thank you

